

Topics in this issue

Policies and Procedures: None

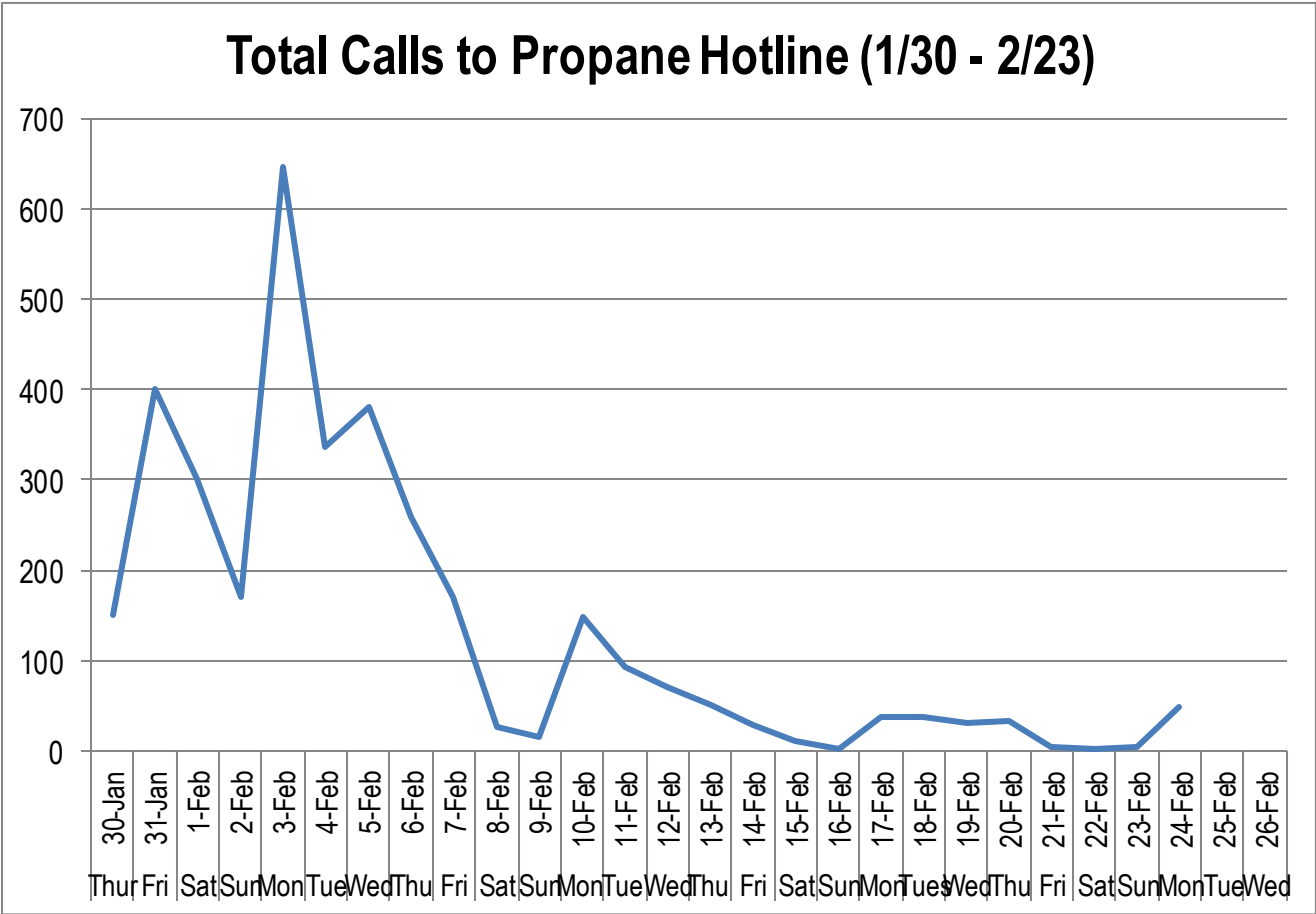
Updates: Propane Hotline Update; FFY14: A Story of Fuel, Weather and Funding

Updates

Propane Hotline Update

Dayton's office announced a hotline would be set up to answer questions on the propane shortage and offer assistance. The hotline was staffed by EAP state staff, the Commerce Consumer Response Team (CRT), local EAP Service Providers, State Emergency Operations Center (SEOC), Minnesota Department of Public Safety Homeland Security and Emergency Management division (HSEM). The hotline operates 7 days a week between 9AM and 4:30PM.

The number of calls has dropped off significantly. Drops in propane prices and more fuel available have reduced the calls. The below zero temperatures are likely to generate a few calls. The Propane Hotline will be active this weekend and weekend staff will be contacted if households are at or below 10% fuel remaining in their propane tanks. The following graph shows total calls received by the hotline.



FFY14: A Story of Fuel, Weather and Funding

There is an old saying in the Energy Assistance Program coined by John Harvanko: "We can't predict the weather, fuel prices or how much or when we get funding, yet we are expected to run a great program." This challenge has been put to the test in FFY2014. And Service Providers have risen to the challenge.

FFY2014 started with application coming in about 5% lower than FFY2013. It was the second year of the Crisis policy using Primary Heat first to address energy emergencies. A new function to address emergency requests was implemented and, as with most new business processes, there were some bumps in implementing the changes.

Program funding was approved early but did not arrive until November. LIHEAP funding had seen reductions since 2010. Best predictions had funding held up by debate and reduced by sequestration. But an early agreement by the US House and Senate meant Minnesota would receive about the same funding as FFY13.

But early problems with propane supplies and pricing and the subsequent extremely cold winter changed everything. The result is program applications caught up with FFY13, over twice as much Crisis funding has been spent compared to this time last year and addressing the increased number of energy emergencies has challenge the Service Providers ability to keep up with demand. The situation throughout the state was so severe, the Governor declared an emergency.

The Propane Situation

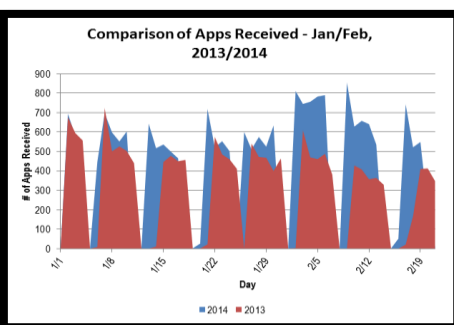


The worst propane shortage in Minnesota in decades started with increased propane exports that reduced domestic stocks. A wet harvest required more propane than usual to dry crops. The oil boom resulted in less railroad freight space available to transport propane. Then a key pipeline shut down for a few weeks in December. This pipeline was sold and will be repurposed to carry different products. The final straw has been the coldest winter in 30 years, creating a sustained period of severe cold that sharply increased demand for heating fuel.

The result is propane prices that are off the charts. A gallon of propane that would normally sell for \$1.50 to \$1.70 was going for \$5 or \$6 or more. EAP households were beginning to need more assistance to get fuel. The \$500 Crisis benefit was more and more unable to get a minimum fill. The table at right illustrates the disastrous effect of the skyrocketing propane costs on the budget of an average EAP propane household (based on 765 gallons of fuel, which was the average annual consumption for FY13.)

The cold weather meant households were burning through fuel faster and at times, even if they could pay, propane was not available for delivery. By February, Crisis events processed by Service Providers increased to over 25,000 from 15,000 at the same time last year. Crisis spending went from \$5M in FFY13 to \$12.4M as of February 24, 2014.

Price per gallon	Cost of 765 Gallons
\$2.00	\$1,530
\$2.50	\$1,913
\$3.00	\$2,295
\$3.50	\$2,678
\$4.00	\$3,060
\$4.50	\$3,443



Because of these factors EAP has seen spikes in demand that have affected the ability of Service Providers to keep up with application processing. Two-thirds of all applications (to date) were received in September and October and 97% of those applications have been fully processed. Looking at all applications received, 85% of them have been fully processed despite the need for Service Providers to address 10,000 more energy emergencies than were addressed by this time last year. The chart at left illustrates the increased demand for EAP services.

EAP and State Actions

Along with the increase in propane and oil Crisis maximum, Governor Dayton declared a Peacetime State of Emergency in Minnesota on Monday January 27, 2014 in response to the persistent cold weather and the increased risk that households may run out of heating fuel, a situation that would pose an immediate threat to public safety. Governor Dayton asked the Commerce Commissioner to explore additional measures for EAP households and took measures to increase propane supplies.

Governor Dayton's office announced a hotline would be set up to answer questions on the propane shortage and offer assistance. The hotline was staffed by EAP state staff, the Commerce Consumer Response Team (CRT), local EAP Service Providers, State Emergency Operations Center (SEOC), Minnesota Department of Public Safety Homeland Security and Emergency Management division (HSEM). The hotline operates 7 days a week between 9AM and 4:30PM.



Callers to the hotline who are EAP eligible or an EAP recipient and at 10% or below in their tanks were sent to their local Service Provider for immediate actions. Local EAP Service Providers provided tremendous services to these households. They responded quickly, ensured the households were being served and notified the state EAP office of the outcome of their assistance to the households.

Governor Dayton ordered Minnesota's EAP to use 60% of State Median Income (SMI), the maximum allowed by federal law, to determine household eligibility for the Energy Assistance Program. The change went into effect February 4, 2014 with the intention to help those on the margins of program eligibility. The increased SMI functionality was programmed in eHEAT and the change was retroactive to the beginning of the program year. Service Providers retroactively re-determine eligibility for around 2,400 previously denied applicants. Additionally, EAP raised the Crisis requirement for a delivered fuel tank to be below 30% (from 20%) left in tank.

Service Providers responded swiftly to these changes and continued to offer excellent services to Minnesotans. DOC allocated additional Administrative funds to the local Service Providers to help with the additional demands.

The Affect

The additional demand for funds, the program is at risk of running out of funds before May 31. So far, the program has spent \$3,352,744 in Crisis payments above \$500 for propane and heating oil households. The program has served 3,382 households in the 50-60% eligibility segment, at a cost of \$1,504,223 (in Primary Heat and Crisis combined.) The Governor sought to increase program funding by \$20M, an amount expected to be sufficient to fund the program through May 31.

EAP Weekly Comparison (data from Production Report)

	Current Year Week ending 2-21-2014	Prior Year Week ending 2-21-2013
Apps approved	112,513	110,043
Apps pending	20,381	20,702
Primary Heat awarded	\$57,152,421	\$58,361,098
Crisis – HHDs served	25,533	15,457
Crisis awarded	\$12,483,299	\$5,032,751

The Minnesota House quickly passed a bill Tuesday, February 25, 2014 to send emergency heating aid to Minnesotans by pumping an additional \$20 million into a state fund that helps low-income residents pay heating bills. The bill passed unanimously, with Democrats and Republicans alike calling it a necessary step as subzero temperatures linger and propane prices stay high. On February 27, 2014 the Senate unanimously passed the bill with a revision restricting administrative funds to 5% of the appropriation. The bill is scheduled to be approved by the Governor in the coming days.

The Next Challenges

EAP needs to continue to meet the demands of this winter while serving people in a timely manner. Additionally, the next months will include the households connected fuel households who need assistance because of high bills due to the harsh winter and the coming end to Cold Weather Rule protections.

LIHEAP got its start in the 1970's because of fuel shortages in the Northeast United States. EAP exists for this very situation. It is our challenge to not only survive this chaotic challenge, but to thrive. So far, EAP has shown it has the ability to do that.

Although we cannot predict the weather, fuel prices or funding, we do run a great program. The next few months will continue to be a challenge. We thank you for your hard work and we know you will continue to perform with passion and professionalism.